



Case Studies – Professional Indemnity Insurance Claim

1. A builder (the insured) was contracted to draft and submit plans for a large concrete slab which was to be the foundation of a large storage building. The first draft he submitted required amendment so a second draft was submitted and approved by the client.

The concrete slab was laid as per the plans submitted by the insured and the storage facility was constructed.

A claim was lodged against the insured when cracks appeared in the concrete slab. It was subsequently found through investigation that the insured had submitted the first draft for construction instead of the amended second draft. Indemnity was granted in respect of the claim and the facility eventually had to be demolished and rebuilt from the ground up. Including legal and investigation costs, demolition and rebuilding costs, the total payout amounted to \$7,800,000.

2. A financial adviser provided advice to a client in relation to a lump sum investment. The client's requirements included an investment plan which would provide a certain level of income per year and a minimum risk of capital loss. The adviser recommended investment in a particular fund, which supposedly satisfied the client's requirements. It turned out that the client did not receive any yearly income but also suffered a capital loss during the two year investment period.

The adviser also failed to provide any updates to the client during the two year investment period regarding the state of his investment. Furthermore, at the time of the original investment, there were clear signs that the fund was starting to perform badly. It was alleged that the fund was of a sophisticated nature that did not suit the client's needs. Therefore inappropriate advice was provided. The adviser had few defences to the inevitable claim made against him and the claim was settled out of court for \$175,000 (including all costs).

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